



Freshworks Reports Second Quarter 2024 Results

July 30, 2024

SAN MATEO, Calif., July 30, 2024 (GLOBE NEWSWIRE) -- Freshworks Inc. (NASDAQ: FRSH), a leading software company empowering businesses to delight their customers and employees, today announced financial results for its second quarter ended June 30, 2024.

"Freshworks delivered a solid Q2, growing revenue to \$174.1 million with a free cash flow margin of 19%," said Dennis Woodside, CEO & President of Freshworks. "Our results reflect our increasing financial discipline and our ability to meet the needs of customers with our AI-powered solutions. With clear strategic priorities in place, we are well positioned to seize the massive opportunity in front of us."

Second Quarter 2024 Financial Summary Results

- **Revenue:** Total revenue was \$174.1 million, representing growth of 20% compared to the second quarter of 2023, and 20% adjusting for constant currency.
- **GAAP (Loss) from Operations:** GAAP (loss) from operations was \$(43.8) million, compared to \$(43.3) million in the second quarter of 2023.
- **Non-GAAP Income from Operations:** Non-GAAP income from operations was \$13.1 million, compared to \$11.7 million in the second quarter of 2023.
- **GAAP Net (Loss) Per Share:** GAAP basic and diluted net (loss) per share was \$(0.07) based on 299.8 million weighted-average shares outstanding, compared to \$(0.12) based on 292.0 million weighted-average shares outstanding in the second quarter of 2023.
- **Non-GAAP Net Income Per Share:** Non-GAAP diluted net income per share was \$0.08 based on 302.5 million weighted-average shares outstanding, compared to \$0.07 based on 296.6 million weighted-average shares outstanding in the second quarter of 2023.
- **Net Cash Provided by Operating Activities:** Net cash provided by operating activities was \$36.3 million, compared to \$19.9 million in the second quarter of 2023.
- **Free Cash Flow:** Free cash flow was \$32.8 million, compared to \$18.1 million in the second quarter of 2023.
- **Cash, Cash Equivalents and Marketable Securities:** Cash, cash equivalents, and marketable securities were \$1.02 billion as of June 30, 2024.

All financial numbers for second quarter 2024 include the results of Device42, Inc. for the period after the closing of the acquisition. A description of non-GAAP financial measures is contained in the section titled "Explanation of Non-GAAP Financial Measures" below and a reconciliation of GAAP to non-GAAP financial measures is contained in the tables below.

Second Quarter Key Metrics and Recent Business Highlights

- Number of customers contributing more than \$5,000 in ARR was 21,744, an increase of 14% year-over-year and 14% adjusting for constant currency.
- Net dollar retention rate was 106% (106% adjusting for constant currency), compared to 106% in the first quarter of 2024 and 108% in the second quarter of 2023. Constant currency net dollar retention rate was 106% in the first quarter of 2024 and 107% in the second quarter of 2023.
- Welcomed more customers to the Freshworks community including Kayak, Paul Smith UK, Asian Paints, Tile Mountain, San Diego Unified School District, and many more.
- Ended the quarter with over 1,200 customers using Freddy Copilot and 900 customers using Freddy Self Service capabilities.
- Launched a new data center in the UAE, powered by Amazon Web Services (AWS), to power global expansion and support job creation and digital skills development in the region.
- Introduced new leaders including Ashwin Ballal, Chief Information Officer, Laura Padilla, Senior Vice President, Channels & Alliances, Wes Rudenske, Senior Vice President, GTM Strategy & Operations, and Ian Tickle, Senior Vice President and General Manager, Europe.
- Announced the completion of the acquisition of Device42 on June 6, 2024, reinforcing Freshworks' IT offerings for mid-market and enterprise companies with enhanced IT Asset Management (ITAM) solutions.
- Won a multitude of product awards, including Business Intelligence Group's "Excellence in Customer Service", CRM Magazine's "Top 100 CRM Vendors", eWeek's "Best Generative AI Chatbots", and KM World's "AI 100" companies list.

Financial Outlook

We are providing estimates for the third quarter and full year 2024 based on current market conditions and expectations. The revenue growth rates are adjusted for constant currency to provide better visibility into the underlying business trends. We emphasize that these estimates are subject to various important cautionary factors referenced in the section entitled "Forward-Looking Statements" below.

For the third quarter and full year 2024, we currently expect the following results:

(\$ in millions, except per share data)

	Third Quarter 2024	Full Year 2024
Revenue ⁽¹⁾	\$180.0 - \$183.0	\$707.0 - \$713.0
Year-over-year growth	17% - 19%	18.5% - 19.5%
Non-GAAP income from operations ⁽¹⁾	\$13.0 - \$15.0	\$60.0 - \$66.0
Non-GAAP net income per share ⁽²⁾	\$0.07 - \$0.08	\$0.32 - \$0.34

(1) Revenue and non-GAAP income from operations are based on exchange rates as of July 26, 2024 for currencies other than USD.

(2) Non-GAAP net income per share was estimated assuming 304.2 million and 306.4 million weighted-average shares outstanding for the third quarter and full year 2024, respectively.

These statements are forward-looking and actual results may differ materially. Refer to the "Forward-Looking Statements" safe harbor section below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Estimates for third quarter 2024 and full year 2024 include the estimates of Device42, Inc. We have not reconciled our estimates for non-GAAP financial measures to GAAP due to the uncertainty and potential variability of expenses that may be incurred in the future. As a result, a reconciliation is not available without unreasonable effort and we are unable to address the probable significance of the unavailable information. We have provided a reconciliation of other GAAP to non-GAAP financial measures in the financial statement tables for our second quarter and first six months of 2024 and 2023 non-GAAP results included in this press release.

Webcast and Conference Call Information

We will host a conference call for investors on July 30, 2024 at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss the company's financial results and business highlights. Investors are invited to listen to a live audio webcast of the conference call by visiting the investor relations website at ir.freshworks.com. A replay of the audio webcast will be available shortly after the call on the Freshworks Investor Relations website and will be available for twelve months thereafter.

Explanation of Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with U.S. generally accepted accounting principles (GAAP), this press release and the accompanying tables contain non-GAAP financial measures, including revenue adjusted for constant currency, non-GAAP gross profit, non-GAAP gross margin, non-GAAP sales and marketing expense, non-GAAP research and development expense, non-GAAP general and administrative expense, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income per share, non-GAAP net income attributable to common stockholders, and free cash flow. This press release and the accompanying tables also contain certain non-GAAP metrics, including annual recurring revenue, net dollar retention rates, revenue growth rates, and related presentation thereof adjusted for constant currency.

We adjust revenue and related growth rates for constant currency to provide a framework for assessing business performance excluding the effect of foreign currency rate fluctuations. To present this information, current period results for currencies other than USD are converted into USD at the average exchange rates in effect during the comparison period (for Q2 2023, the average exchange rates in effect for our major currencies were 1 USD to 1.09 EUR and 1 USD to 1.25 GBP), rather than the actual average exchange rates in effect during the current period (for Q2 2024, the average exchange rates in effect for our major currencies were 1 USD to 1.08 EUR and 1 USD to 1.26 GBP).

We use these non-GAAP measures in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance. We believe these non-GAAP measures provide investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our operating results. We believe these non-GAAP measures are useful in evaluating our operating performance compared to that of other companies in our industry, as they generally eliminate the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance.

Investors, however, are cautioned that there are material limitations associated with the use of non-GAAP financial measures as an analytical tool. The non-GAAP measures we use may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We compensate for these limitations by providing specific information regarding the GAAP items excluded from these non-GAAP financial measures.

We exclude the following items from one or more of our non-GAAP financial measures, including the related income tax effect of these adjustments:

- *Stock-based compensation expense.* We exclude stock-based compensation, which is a non-cash expense, from certain of our non-GAAP financial measures because we believe that excluding this expense provides meaningful supplemental information regarding operational performance. In particular, stock-based compensation expense is not comparable across companies given the variety of valuation methodologies and assumptions.
- *Employer payroll taxes on employee stock transactions.* We exclude the amount of employer payroll taxes on equity awards from certain of our non-GAAP financial measures because they are dependent on our stock price at the time of vesting or exercise and other factors that are beyond our control and do not believe these expenses have a direct correlation to the operation of our business.
- *Amortization of acquired intangibles.* We exclude amortization of acquired intangibles, which is a non-cash expense, from certain of our non-GAAP financial measures. Our expenses for amortization of acquired intangibles are inconsistent in

amount and frequency because they are significantly affected by the timing, size of acquisitions, and the allocation of purchase price. We exclude these amortization expenses because we do not believe these expenses have a direct correlation to the operation of our business.

We define free cash flow as net cash provided by operating activities, less purchases of property and equipment and capitalized internal-use software. We believe that free cash flow is a useful indicator of liquidity as it measures our ability to generate cash from our core operations after purchases of property and equipment. Free cash flow is a measure to determine, among other things, cash available for strategic initiatives, including further investments in our business and potential acquisitions of businesses.

Operating Metrics

Number of Customers Contributing More Than \$5,000 in ARR. We define ARR as the sum total of subscription, software license, and maintenance revenue we would contractually expect to recognize over the next 12 months from all customers at a point in time, assuming no increases, reductions or cancellations in their subscriptions, and assuming that revenues are recognized ratably over the term of the contract. We define our total customers contributing more than \$5,000 in ARR as of a particular date as the number of business entities or individuals, represented by a unique domain or a unique email address, with one or more paid subscriptions to one or more of our products that contributed more than \$5,000 in ARR.

Net Dollar Retention Rate. To calculate net dollar retention rate as of a given date, we first determine Entering ARR, which is ARR from the population of our customers as of 12 months prior to the end of the reporting period. We then calculate the Ending ARR from the same set of customers as of the end of the reporting period. We then divide the Ending ARR by the Entering ARR to arrive at our net dollar retention rate. Ending ARR includes upsells, cross-sells, renewals and expansion as a result of acquisitions during the measurement period and is net of any contraction or attrition over this period.

We also adjust the above operating metrics, growth rates of customers contributing more than \$5,000 in ARR and related presentation thereof for constant currency to provide a framework for assessing our business performance excluding the effects of foreign currency rates fluctuations. To present this information, the Ending ARR of the current period in currencies other than USD is converted into USD at the exchange rates in effect at the end of the comparison period (for Q2 2023, the period end exchange rates in effect for our major currencies were 1 USD to 1.08 EUR and 1 USD to 1.26 GBP), rather than the actual exchange rates in effect at the end of the current period (for Q2 2024, the period end exchange rates in effect for our major currencies were 1 USD to 1.07 EUR and 1 USD to 1.26 GBP).

Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, our GAAP and non-GAAP estimates for the third quarter and full year 2024, our financial outlook, the value of our products to customers, the results of our focus on product innovation efforts and the usefulness of the measures by which we evaluate our business, among other things. These forward-looking statements are based on our current expectations, estimates and projections about our business and industry, including our financial outlook and macroeconomic uncertainties, management's beliefs and certain assumptions made by the company, all of which are subject to change. Forward-looking statements generally can be identified by the use of forward-looking terminology such as, "future," "believe," "expect," "may," "will," "intend" "estimate," "continue," "anticipate," "could," "would," "projects," "plans," "targets" or similar expressions or the negative of those terms or expressions. Such statements involve risks and uncertainties, many of which involve factors or circumstances that are beyond our control, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. Factors that may cause actual results to differ materially include our ability to achieve our long-term plans and key initiatives; our ability to sustain or manage any future growth effectively; our ability to attract and retain customers or expand sales to existing customers; delays in product development or deployments or the success of such products; the failure to deliver competitive service offerings and lack of market acceptance of any offerings delivered; the impact to the economy, our customers and our business due to global economic conditions, including market volatility, foreign exchange rates, and impact of inflation; the timeframes for and severity of the impact of any weakened global economic conditions on our customers' purchasing and renewal decisions, which may extend the length of our sales cycles or adversely affect our industry; our history of net losses and ability to achieve or sustain profitability, as well as the other potential factors described under "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023 as such factors may be updated from time to time in our periodic and other documents of Freshworks Inc. filed with the Securities and Exchange Commission from time to time (available at www.sec.gov).

We caution you not to place undue reliance on forward-looking statements, which speak only as of the date hereof and are based on information available to us at the time the statements are made and/or management's good faith belief as of that time with respect to future events. We assume no obligation to update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release, except as required by law.

About Freshworks Inc.

Freshworks Inc., (NASDAQ: FRSH) makes it easy for companies to delight their customers and their employees. Our AI-powered customer and employee-service solutions increase efficiency and improve engagement for companies of all sizes. The result is happier customers and more productive employees. Headquartered in San Mateo, California, Freshworks operates around the world to serve more than 68,000 customers, including American Express, Bridgestone, Databricks, Fila, Nucor and Sony. For the latest company news, visit www.freshworks.com and follow us on Facebook, LinkedIn, and X.

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FRESHWORKS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 174,131	\$ 145,079	\$ 339,274	\$ 282,771
Cost of revenue ⁽¹⁾	28,175	24,861	54,065	50,097
Gross profit	145,956	120,218	285,209	232,674
Operating expense:				
Research and development ⁽¹⁾	40,993	34,180	75,677	67,037
Sales and marketing ⁽¹⁾	104,248	87,975	198,890	174,785
General and administrative ⁽¹⁾	44,502	41,352	86,596	82,248
Total operating expenses	189,743	163,507	361,163	324,070
Loss from operations	(43,787)	(43,289)	(75,954)	(91,396)
Interest and other income, net	13,247	11,216	26,042	20,695
Loss before income taxes	(30,540)	(32,073)	(49,912)	(70,701)
Provision for (benefit from) income taxes	(10,356)	3,585	(6,403)	7,621
Net loss	(20,184)	(35,658)	(43,509)	(78,322)
Net loss per share - basic and diluted	\$ (0.07)	\$ (0.12)	\$ (0.15)	\$ (0.27)
Weighted average shares used in computing net loss per share - basic and diluted	299,805	291,995	298,836	291,068

(1) Includes stock-based compensation expense as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenue	\$ 1,682	\$ 1,731	\$ 3,203	\$ 3,427
Research and development	10,355	10,060	19,021	19,039
Sales and marketing	18,376	17,273	35,677	33,029
General and administrative	24,726	25,184	49,680	49,447
Total stock-based compensation expense, net of amounts capitalized	\$ 55,139	\$ 54,248	\$ 107,581	\$ 104,942

FRESHWORKS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2024	December 31, 2023
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 310,266	\$ 488,121
Marketable securities	708,848	699,506
Accounts receivable, net	100,866	97,179
Deferred contract acquisition costs	24,528	22,908
Prepaid expenses and other current assets	52,482	47,832
Total current assets	1,196,990	1,355,546
Property and equipment, net	23,445	22,747
Operating lease right-of-use assets	32,698	32,749
Deferred contract acquisition costs, noncurrent	21,508	19,764
Intangible assets, net	98,024	—
Goodwill	147,014	6,181
Deferred tax assets	9,515	10,013

Other assets	14,390	9,772
Total assets	<u>\$ 1,543,584</u>	<u>\$ 1,456,772</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,771	\$ 3,485
Accrued liabilities	69,246	56,608
Deferred revenue	287,629	266,399
Income tax payable	1,038	722
Total current liabilities	<u>367,684</u>	<u>327,214</u>
Operating lease liabilities, non-current	27,681	26,795
Other liabilities	33,120	30,501
Total liabilities	<u>428,485</u>	<u>384,510</u>
Stockholders' equity:		
Common stock	3	3
Additional paid-in capital	4,800,143	4,713,522
Accumulated other comprehensive loss	(1,029)	(754)
Accumulated deficit	<u>(3,684,018)</u>	<u>(3,640,509)</u>
Total stockholders' equity	<u>1,115,099</u>	<u>1,072,262</u>
Total liabilities and stockholders' equity	<u>\$ 1,543,584</u>	<u>\$ 1,456,772</u>

FRESHWORKS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash Flows from Operating Activities:				
Net loss	\$ (20,184)	\$ (35,658)	\$ (43,509)	\$ (78,322)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	3,746	3,002	6,713	6,114
Amortization of deferred contract acquisition costs	6,886	5,852	13,538	11,469
Non-cash lease expense	2,419	1,877	4,399	3,727
Stock-based compensation	55,139	54,248	107,581	104,942
Discount amortization on marketable securities	(4,098)	(4,302)	(8,721)	(7,822)
Deferred income taxes	(14,278)	—	(13,801)	113
Other	(145)	(79)	(231)	(9)
Changes in operating assets and liabilities:				
Accounts receivable	(7,902)	(1,109)	4,948	(3,599)
Deferred contract acquisition costs	(9,830)	(7,188)	(16,902)	(12,756)
Prepaid expenses and other assets	(567)	677	(7,176)	(6,571)
Accounts payable	7,949	(2,727)	5,981	(4,221)
Accrued and other liabilities	8,628	(5,089)	8,873	(5,481)
Deferred revenue	7,711	13,808	17,219	28,732
Operating lease liabilities	862	(3,417)	(1,957)	(4,917)
Net cash provided by operating activities	<u>36,336</u>	<u>19,895</u>	<u>76,955</u>	<u>31,399</u>
Cash Flows from Investing Activities:				
Purchases of property and equipment	(2,315)	(329)	(3,054)	(712)
Proceeds from sale of property and equipment	22	34	63	58
Capitalized internal-use software	(1,199)	(1,486)	(2,406)	(3,511)
Purchases of marketable securities	(174,302)	(274,664)	(393,183)	(492,418)
Maturities and redemptions of marketable securities	208,975	279,245	391,990	540,719
Business combination, net of cash acquired	<u>(213,905)</u>	<u>—</u>	<u>(213,905)</u>	<u>—</u>
Net cash provided by (used in) investing activities	<u>(182,724)</u>	<u>2,800</u>	<u>(220,495)</u>	<u>44,136</u>
Cash Flows from Financing Activities:				
Proceeds from issuance of common stock under	3,630	4,312	3,630	4,312
Proceeds from exercise of stock options	26	39	36	45

Payment of withholding taxes on net share settlement of equity awards	(15,020)	(15,303)	(37,984)	(27,737)
Net cash used in financing activities	(11,364)	(10,952)	(34,318)	(23,380)
Net increase (decrease) in cash, cash equivalents and restricted cash	(157,752)	11,743	(177,858)	52,155
Cash, cash equivalents and restricted cash, beginning of period	468,110	344,570	488,216	304,158
Cash, cash equivalents and restricted cash, end of period	\$ 310,358	\$ 356,313	\$ 310,358	\$ 356,313

FRESHWORKS INC.
RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES
(in thousands, except percentages and per share data)
(unaudited)

	Three Months Ended June 30,		Growth Rates
	2024	2023	
Revenue			
GAAP revenue	\$ 174,131	\$ 145,079	20%
Effects of foreign currency rate fluctuations	187		
Revenue adjusted for constant currency	<u>\$ 174,318</u>	<u>\$ 145,079</u>	20%

FRESHWORKS INC.
RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES
(in thousands, except percentages and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Reconciliation of gross profit and gross margin:				
GAAP gross profit	\$ 145,956	\$ 120,218	\$ 285,209	\$ 232,674
Non-GAAP adjustments:				
Stock-based compensation expense	1,682	1,731	3,203	3,427
Employer payroll taxes on employee stock transactions	26	30	90	73
Amortization of acquired intangibles	350	—	350	158
Non-GAAP gross profit	<u>\$ 148,014</u>	<u>\$ 121,979</u>	<u>\$ 288,852</u>	<u>\$ 236,332</u>
GAAP gross margin	83.8%	82.9%	84.1%	82.3%
Non-GAAP gross margin	85.0%	84.1%	85.1%	83.6%
Reconciliation of operating expenses:				
GAAP research and development	\$ 40,993	\$ 34,180	\$ 75,677	\$ 67,037
Non-GAAP adjustments:				
Stock-based compensation expense	(10,355)	(10,060)	(19,021)	(19,039)
Employer payroll taxes on employee stock transactions	(56)	(92)	(224)	(189)
Non-GAAP research and development	<u>\$ 30,582</u>	<u>\$ 24,028</u>	<u>\$ 56,432</u>	<u>\$ 47,809</u>
GAAP research and development as percentage of revenue	23.5%	23.6%	22.3%	23.7%
Non-GAAP research and development as percentage of revenue	17.6%	16.6%	16.6%	16.9%
GAAP sales and marketing	\$ 104,248	\$ 87,975	\$ 198,890	\$ 174,785
Non-GAAP adjustments:				
Stock-based compensation expense	(18,376)	(17,273)	(35,677)	(33,029)
Employer payroll taxes on employee stock transactions	(518)	(416)	(1,350)	(1,012)
Amortization of acquired intangibles	(626)	(46)	(626)	(145)
Non-GAAP sales and marketing	<u>\$ 84,728</u>	<u>\$ 70,240</u>	<u>\$ 161,237</u>	<u>\$ 140,599</u>
GAAP sales and marketing as percentage of revenue	59.9%	60.6%	58.6%	61.8%
Non-GAAP sales and marketing as percentage of revenue	48.7%	48.4%	47.5%	49.7%

GAAP general and administrative	\$ 44,502	\$ 41,352	\$ 86,596	\$ 82,248
Non-GAAP adjustments:				
Stock-based compensation expense	(24,726)	(25,184)	(49,680)	(49,447)
Employer payroll taxes on employee stock transactions	(185)	(179)	(602)	(484)
Non-GAAP general and administrative	<u>\$ 19,591</u>	<u>\$ 15,989</u>	<u>\$ 36,314</u>	<u>\$ 32,317</u>

GAAP general and administrative as percentage of revenue	25.6%	28.5%	25.5%	29.1%
Non-GAAP general and administrative as percentage of revenue	11.3%	11.0%	10.7%	11.4%

Reconciliation of operating loss and operating margin:

GAAP loss from operations	\$ (43,787)	\$ (43,289)	\$ (75,954)	\$ (91,396)
Non-GAAP adjustments:				
Stock-based compensation expense	55,139	54,248	107,581	104,942
Employer payroll taxes on employee stock transactions	785	717	2,266	1,758
Amortization of acquired intangibles	976	46	976	303
Non-GAAP income from operations	<u>\$ 13,113</u>	<u>\$ 11,722</u>	<u>\$ 34,869</u>	<u>\$ 15,607</u>
GAAP operating margin	(25.1)%	(29.8)%	(22.4)%	(32.3)%
Non-GAAP operating margin	7.5%	8.1%	10.3%	5.5%

Reconciliation of net loss:

GAAP net loss - basic and diluted	\$ (20,184)	\$ (35,658)	\$ (43,509)	\$ (78,322)
Non-GAAP adjustments:				
Stock-based compensation expense	55,139	54,248	107,581	104,942
Employer payroll taxes on employee stock transactions	785	717	2,266	1,758
Amortization of acquired intangibles	976	46	976	303
Income tax adjustments	(13,729)	485	(13,380)	1,138
Non-GAAP net income - basic and diluted	<u>\$ 22,987</u>	<u>\$ 19,838</u>	<u>\$ 53,934</u>	<u>\$ 29,819</u>

Reconciliation of net loss per share - diluted:

GAAP net loss per share - diluted	\$ (0.07)	\$ (0.12)	\$ (0.15)	\$ (0.27)
Non-GAAP adjustments:				
Stock-based compensation expense	0.18	0.19	0.36	0.36
Employer payroll taxes on employee stock transactions	—	—	0.01	0.01
Amortization of acquired intangibles	0.01	—	—	—
Income tax adjustments	(0.04)	—	(0.04)	—
Non-GAAP net income per share - diluted	<u>\$ 0.08</u>	<u>\$ 0.07</u>	<u>\$ 0.18</u>	<u>\$ 0.10</u>
Weighted-average shares used in computing GAAP net loss per share - diluted	299,805	291,995	298,836	291,068
Weighted-average shares used in computing non-GAAP net income per share - diluted ⁽¹⁾	302,454	296,562	303,842	295,790

Computation of free cash flow:

Net cash provided by operating activities	\$ 36,336	\$ 19,895	\$ 76,955	\$ 31,399
Less:				
Purchases of property and equipment	(2,315)	(329)	(3,054)	(712)
Capitalized internal-use software	(1,199)	(1,486)	(2,406)	(3,511)
Free cash flow	<u>\$ 32,822</u>	<u>\$ 18,080</u>	<u>\$ 71,495</u>	<u>\$ 27,176</u>
Net cash provided by (used in) investing activities	<u>\$ (182,724)</u>	<u>\$ 2,800</u>	<u>\$ (220,495)</u>	<u>\$ 44,136</u>
Net cash used in financing activities	<u>\$ (11,364)</u>	<u>\$ (10,952)</u>	<u>\$ (34,318)</u>	<u>\$ (23,380)</u>

(1) Diluted net income (loss) per share attributable to common stockholders is determined by giving effect to all potential common equivalents during the reporting period, unless including them yields an antidilutive result. The company considers its stock options and RSUs as potential common stock equivalents but excluded them from the computation of GAAP diluted net loss per share attributable to common stockholders, as their effect was antidilutive. For the three months ended June 30, 2024 and 2023, potentially dilutive shares of 2.6 million and 4.6 million shares, respectively, were included in the weighted average shares used in computing non-GAAP net income per share. For the six months ended June 30, 2024 and 2023, potentially dilutive shares of 5.0 million and 4.7 million shares were included in the weighted average shares used in computing non-GAAP net income per share.